



# Kentucky Tax Alert



A KRC PUBLICATION FOR THE TAX PROFESSIONAL

September 2001 • Vol. 20, No. 5

## Streamlined Sales Tax Project

Kentucky has been working with over 30 states to simplify and modernize the nation's sales tax systems that have been in place for more than 70 years. It has been reported that retailers who sell in all 46 states that tax sales must complete over 7,500 returns each month to satisfy the state and local sales tax requirements. The Streamlined Sales Tax Project is working to reduce the sales tax collection burden for these retailers as well as our main street retailers.

The Federation of Tax Administrators and the Multistate Tax Commission, the National Conference of State Legislatures, and the National Governors Association joined efforts to kick off the Streamlined Sales Tax Project in early 2000. Today, 33 states have signed on to this effort. State representatives met throughout 2000 with retailers, technology vendors, and other interested parties to refine a sales tax simplification proposal that would reduce the sales tax collection burden for all sellers. A proposal was issued in December 2000. It included new simplified tax returns, fewer filing requirements, sourcing rules to determine where a transaction will be taxed, relaxed good faith requirements in the acceptance of resale and exemption certificates, and uniform definitions for terms such as "food," "candy," "soft drinks," and "clothing."

The project team has continued to work diligently throughout this year with all interested parties to develop additional uniform definitions, and simplify the administration of the sales and use tax. Additional proposals include uniform definitions for "lease and rental," "tangible personal property," "digital property," and "software." For a complete update on the project's activities, visit [www.streamlinedsalestax.org](http://www.streamlinedsalestax.org).



## Taxpayers Should Inform KRC of Address Changes

Taxpayers whose addresses changed during the past year should inform KRC of their new address so individual income tax forms may be sent to the proper location.

Send address change notifications to Kentucky Revenue Cabinet, 1266 Louisville Road, Frankfort, KY 40601.



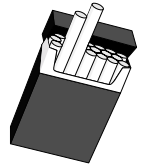
## Tax School Scheduled at U of L

The 49th annual Louis A. Grief Tax Institute will be held Dec. 12-14, 2001, at the University of Louisville. Register before Dec. 1, 2001, to acquire 24 hours of CPE credit. For more information, call (502) 852-5847.



## Gray Market Legislation

The Kentucky State Legislature, in the 2001 session, created KRS 248.750 to 248.769 and amended KRS 138.146. This legislation, commonly referred to as "gray market" legislation, prohibits the acquisition, holding, ownership, possession, or transportation for sale or distribution of cigarettes that the manufacturer did not intend to be sold, distributed, or used in the United States. Those cigarettes include, but are not limited to, packages which bear labels such as "For Export Only," "U.S. Tax Exempt," "For Use Outside U.S.," or similar wording.



All wholesalers and unclassified acquirers are required, as of January 1, 2002, to file with KRC a copy of the customs certificates required by 19 U.S.C. sec. 1681a(c) for the entry of cigarettes into the United States. The certificates are due by the 15th business day of **each month**. The first filing is due Feb. 21, 2002.

Wholesalers and unclassified acquirers may elect to attach customs certificates to Revenue Form 73A420, Monthly Report of Cigarette Wholesaler, which is due on the 20th of each month, but which may be submitted earlier if completed. Because this information is due at different times, it may be more practical, more convenient, and less expensive to combine and submit all the required information by the earlier of the two dates. However, if you decide to submit information separately, attach a cover letter to the customs certificates identifying the entity which you represent (wholesaler name, address, and license number) and submit it to KRC just as you would any other form.

HB 279 maybe viewed in its entirety at [www.lrc.state.ky.us/home.htm](http://www.lrc.state.ky.us/home.htm). If you have additional questions, contact the Miscellaneous Tax Section at (502) 564-5440.

## Forms Requisition Order Form Available in November

Form 40A727, Kentucky Income Tax Forms Requisition, will be published in the November issue of **Tax Alert**. This form is expected to be available from KRC's Online Taxpayer Service Center at <http://revenue.state.ky.us>.

### TABLE OF CONTENTS

Streamlined Sales Tax Project .....	1
Taxpayers Should Inform KRC of Address Changes .....	1
Tax School Scheduled at U of L .....	1
Gray Market Legislation .....	1
Forms Requisition Order Form Available in November .....	1
University of Kentucky Schedules Income Tax Seminars .....	2
Refund Offsets and Checkoff Programs for	
2000 Individual Income Tax Returns .....	2
Address Correction .....	2
Consolidated Corporation Income Tax Returns .....	3
KRC, IRS Sponsor Electronic Filing Seminars .....	3
Subcommittee on Tax Policy Issues .....	4
KRC Offices Closed for Veterans Day .....	4

## University of Kentucky Schedules Income Tax Seminars

The University of Kentucky, in conjunction with KRC and the IRS, is conducting income tax seminars at various sites across the commonwealth. Fourteen two-day sessions are scheduled during November and December.

The registration fee is \$189 per person. Every participant receives a copy of the workbook, a Master Tax Guide, the KRC workbook, and various Internal Revenue Service publications.

The Kentucky Board of Accountancy has approved the seminars for 16 hours of CPE credit. Attorneys must apply directly to the Kentucky Bar Association for CLE credit.

Registration brochures have been mailed. Anyone who attended a tax workshop in the past two years should have received a brochure in the mail. Brochures are available in local county extension offices after Sept. 1, 2001, or can be obtained by contacting the Income Tax Seminar, Carol Eads, 640 South Broadway, Suite 210, Lexington, KY 40508.

Workshop dates and locations are as follows:

Date	Location
<b>Nov. 12-13</b>	Frankfort Holiday Inn—Capital Plaza 405 Wilkinson Boulevard
<b>Nov. 15-16</b>	Burlington (Northern Kentucky) Boone County Extension Office 6028 Camp Ernst Road
<b>Nov. 15-16</b>	Hopkinsville Holiday Inn 2910 Fort Campbell Boulevard
<b>Nov. 19-20</b>	Lexington Marriott's Griffin Gate Resort 1800 Newtown Pike
<b>Nov. 19-20</b>	Bowling Green University Plaza Hotel and Convention Center 1021 Wilkinson Trace
<b>Nov. 26-27</b>	Somerset Center for Rural Development 2292 South Highway 27
<b>Nov. 26-27</b>	Owensboro Executive Inn Rivermont One Executive Boulevard
<b>Nov. 29-30</b>	Morehead ADUC Building—Kreger Room 150 University Boulevard
<b>Nov. 29-30</b>	Bardstown Best Western—General Nelson 411 West Stephen Foster Avenue
<b>Dec. 3-4</b>	Prestonsburg Jenny Wiley State Park 419 Jenny Wiley Road
<b>Dec. 4-5</b>	Paducah J.R.'s Executive Inn Rivermont One Executive Boulevard
<b>Dec. 10-11</b>	Lexington Holiday Inn North 1950 Newtown Pike
<b>Dec. 12-13</b>	Maysville Ramada Inn 484 Moody Drive
<b>Dec. 12-13</b>	Louisville Executive Inn West 830 Phillips Lane

## Refund Offsets and Checkoff Programs for 2000 Individual Income Tax Returns

Pursuant to KRS 131.560, KRC collects delinquent debts owed to participating agencies by deducting those amounts from individual income tax refund checks.

Below are the amounts offset from 2000 refunds and credited to debts owed to participating agencies.



Program or Agency	Number of Offsets	Amount Offset
Child Support	13,518	\$2,212,882
Unemployment Insurance	2,334	\$ 311,089
Higher Education	1,879	\$ 288,449
Natural Resources	63	\$ 17,572
Internal Revenue Service	596	\$ 145,749
AFDC	2,980	\$ 333,757
Food Stamps	229	\$ 26,138
Multiple Programs	623	\$ 92,190
Transportation	5	\$ 82
Absent Parent	201	\$ 30,281
Medical Assistance	22	\$ 2,660

Below are the number of contributors and amounts checked off by Kentucky taxpayers for the six funds appearing on the 2000 individual income tax return:

Bluegrass State Games and U.S. Olympic Committee	3,075	\$ 15,447
Child Victims' Trust	10,566	\$ 63,577
Nature and Wildlife	10,365	\$ 64,529
Veterans' Program Trust	4,332	\$ 29,082
Democratic Party	51,962	\$ 103,924
Republican Party	42,345	\$ 84,690

### Address Correction

The new address for the Corbin Taxpayer Service Center is 521 East Cumberland Gap Parkway.

### Consolidated Corporation Income Tax Returns

KRS 141.200(3) allows an affiliated group of corporations to elect to file a consolidated Kentucky corporation income tax return. KRS 141.200(1)(a) defines affiliated group to mean an affiliated group as defined in Section 1504(a) of the Internal Revenue Code and related regulations. The election to file a consolidated return is binding on both the affiliated group and the Revenue Cabinet for a period of eight years. Kentucky Administrative Regulation 103 KAR 16:200 provides the procedures to be followed in making the election. The common parent corporation on behalf of all members of the affiliated group must make the election. The election must be made on Form 722, Election to File Consolidated Kentucky Corporation Income Tax Return. The election form must be submitted to the Revenue Cabinet with a timely filed Form 720, Corporation Income and License Tax Return, for the first taxable year for which the election is made. If an election form is not filed, an affiliated group of corporations shall be deemed not to have made an election and

each member of the affiliated group subject to Kentucky's corporation income tax will be required to file a separate return.

A copy of Form 722 must be submitted with the returns filed for any subsequent years for which the election is effective. On the returns filed during the election period, the consolidated return box located in the upper left-hand corner of page 1 of Form 720 must be checked. Upon the expiration of an election period, the affiliated group may continue to file consolidated corporation income tax returns by timely filing a return for the first taxable year that begins after the expiration of an election period. A new election form is not required. However, a copy of the initial election form must be attached to the return and the consolidated box on page 1 must be checked.

Note that an election to file a consolidated corporation income tax return does not apply to corporation license tax.

### KRC, IRS Sponsor Electronic Filing Seminars

KRC and the Internal Revenue Service (IRS) will sponsor nine seminars on electronic filing of individual income tax returns at various sites across the state. Each seminar runs from 9:30 a.m. to 12 p.m. local time. Topics covered by KRC and the IRS will benefit new e-filers as well as those who have participated previously. Registration is recommended to help KRC and the IRS plan the seminars, and to allow participants to be advised of any changes.

Seminars will be held at the following locations:

DATE	LOCATION	DATE	LOCATION
Oct. 11	Louisville 7219 Dixie Highway Southwest Jefferson County Government Center	Oct. 25	Louisville 200 Juneau Drive East Jefferson County Government Center
Oct. 18	Ashland 1021 Carter Avenue Fire Department Building	Nov. 6	Owensboro 450 Griffith Avenue Daviess County Public Library
Oct. 19	Corbin Highway 90 Cumberland Falls State Resort Park	Nov. 7	Bowling Green 812 State Street Chamber of Commerce
Oct. 23	Lexington 140 East Main Street Lexington Public Library	Nov. 8	Paducah 2900 Irwin Cobb Drive Jackson Purchase Energy Company
Oct. 24	Florence 8100 Ewing Boulevard Government Center		

To register, tax practitioners should complete the registration form below and return to KRC.

#### REGISTRATION FOR 2001 ELECTRONIC FILING SEMINARS

Name \_\_\_\_\_ Telephone ( ) \_\_\_\_\_

\_\_\_\_\_ persons will attend the seminar in \_\_\_\_\_ (city) on (date) \_\_\_\_\_

Please check one: New to e-file \_\_\_\_\_ Have participated previously in e-file \_\_\_\_\_

Separate this portion and send to:  
Judy Ritchie, Station 29  
Kentucky Revenue Cabinet  
1266 Louisville Road  
Frankfort, KY 40601  
Or return via fax to (502) 564-9897



## Subcommittee on Tax Policy Issues

House Joint Resolution 30 adopted by the 2001 Kentucky General Assembly created the Tax Policy Issues Subcommittee of the Appropriations and Revenue Committee to study tax policy issues. The Tax Policy Issues Subcommittee consists of eight members each from the Senate and House Committees on Appropriations and Revenue, including the respective chairs, Representative Harry Moberly and Senator Richie Sanders, who serve as co-chairs. Dr. Bill Fox of the University of Tennessee serves as consultant for the subcommittee. The Tax Policy Issues Subcommittee is required to report its findings to the Interim Joint Committee on Appropriations and Revenue prior to the start of the 2002 Regular Session. The subcommittee held its initial meeting in April and has held regular monthly meetings throughout the summer.



### Topics Discussed Thus Far:

1. History of recent tax reform efforts in Kentucky, including the Kentucky Commission on Tax Policy in 1995 and Governor Paul Patton's "Revenue Fairness and Recovery Program" proposed in 2000.
2. Tax cuts that had been enacted over the past few legislative sessions and the impact on the state tax base.
3. Recent changes in tax structures in Kentucky's neighboring states as well as across the nation.
4. Initial report from the consultant on the condition of Kentucky's tax structure.
5. Pending litigation involving taxes.

6. Overview of the implications and restrictions on property tax required by House Bill 44 enacted in 1979.

In addition, the subcommittee has heard testimony from representatives of the Kentucky Chamber of Commerce, Kentucky Youth Advocates, Coal Industry, Business and Tax Section of the Northern Kentucky Bar Association, Transportation Industry, and Homebuilder and Construction Industry.

## KRC Offices Closed for Veterans Day

Pursuant to KRS 18A.190, all KRC offices will be closed on Monday, November 12, 2001, in observance of Veterans Day.



**Kentucky Tax Alert** is a bimonthly publication printed on recycled paper, the costs of which are paid from state funds.

Comments, suggestions and mailing list additions or corrections should be addressed to the Public Information and Communication Services Branch, Revenue Cabinet, Station 14, Frankfort, Kentucky 40620, (502) 564-4592.

Editors ..... Sarah S. Gilkison, Betty R. Sanford  
 Writer ..... Sarah S. Gilkison  
 Production ..... Alice A. Bryant, Betty R. Sanford  
 Mailing List ..... Ladonna C. Ware

Paul E. Patton, Governor

Dana B. Mayton, Secretary

*The Kentucky Revenue Cabinet does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.*

KRC can be found on the World Wide Web at <http://revenue.state.ky.us>

PRSRT STD  
 U.S. POSTAGE  
**PAID**  
 Permit No. 164  
 Frankfort, Ky.

COMMONWEALTH OF KENTUCKY  
 REVENUE CABINET  
 FRANKFORT, KENTUCKY 40620

Kentucky Revenue Cabinet  
 Mission Statement

To provide courteous, accurate  
 and efficient services for the benefit of  
 Kentucky and its citizens, and admin-  
 ister the tax laws of the Common-  
 wealth in a fair and impartial manner.